

**MINING CERTIFICATION  
EVALUATION PROJECT  
FIELD TRIAL PROCESS REPORT  
ANGLO AMERICAN  
MINERAÇÃO CATALÃO  
BRAZIL**

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Report

# SUMMARY

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The purpose of the Mining Certification Evaluation Project (MCEP) is to evaluate the feasibility of establishing independent, third party certification of the environmental and social performance of mine sites. An important component of the project is the field trial period, which involves evaluations of how Mine Site Operators (MSOs) are addressing corporate governance, occupational health & safety, employee relations, environmental management, and community relations issues.

The sixth MCEP field trial was the second field trial conducted outside of Australia. One of its primary purposes was to test the applicability of the audit protocol to a mine site outside of the Australian context.

This field trial was undertaken at Anglo American's Mineração Catalão operations in Brazil over the period of the 11<sup>th</sup> to the 15<sup>th</sup> May 2005 inclusive. The team consisted of an independent Team Leader, the MCEP Project Officer, two independent consultants, and a staff member from another Anglo American mining operation.

The key process issues identified through the trial are summarised below.

- More guidance should be provided to the auditors regarding how to assign scores. Ambiguous guidelines within the audit protocol should be clarified, if necessary by splitting them into two or more. This would make each guideline more specific and would facilitate the demonstration of conformance or non-conformance with each.
- The redundancy within the audit protocol should be reduced by ensuring that each piece of evidence is requested only once.
- The guidelines and elements within the audit protocol should be rearranged into a more logical sequence.
- Clear differentiation should be made between questions to which MSO staff should have answers and questions that only staff at the corporate level will be able to answer. Consideration should be given as to whether the latter questions are appropriate for a mine site evaluation, whether they can be feasibly asked during a five-day audit, and if so, what the best approach would be for contacting the corporate office.
- At the beginning of the audit week, a public meeting should be held to allow all external stakeholders to express their views about the MSO. Later, group and individual interviews should be held with a representative set of stakeholders, both self-selected and identified by the MSO.
- Mineração Catalão staff appreciated the fact that the field trial audit covered a large number of different areas, allowing comparison of the different systems that the MSO had in place in order to manage the different areas.
- Consideration should be given to either increasing the person hours spent on the audit, or employing a sampling approach.
- There should be greater coordination amongst team members. Consideration should be given to grouping certain elements, which must be evaluated for each section of the audit protocol, and having one team member investigate each element for all sections.
- The questionnaires used with employees should be revised so that they contain simple, non-technical language. Guidance should be provided to auditors regarding the levels and numbers of employees to interview.
- The Lead Auditor should be capable of understanding each of the five sections of the audit protocol, but should be assigned the Corporate Governance section, rather than any of the more time-consuming sections.
- Auditors will need to have a thorough understanding of the local legislation regarding the area they are assessing. Depending on this legislation, some guidelines may be "N/A".

- All auditors on the team should be fluent in the local language and thoroughly familiar with local social structures and cultural norms and expectations.
- An attempt should be made to integrate the MCEP with the ISO processes, possibly creating a new ISO standard or set of standards that would be applicable particularly to mining. Alternatively, the MCEP could be restructured so that it follows the logic of the ISO standards. Then, by being audited through a mine site certification program, an MSO could simultaneously be audited against the relevant ISO standards.

## Introduction

The purpose of the Mining Certification Evaluation Project (MCEP) is to evaluate the feasibility of establishing independent, third party certification of the environmental and social performance of mine sites. *Working Paper 1 – Principles and Criteria for Certification* lists criteria for evaluating performance, building on the principles developed by the International Council on Mining and Metals.

These criteria have formed the basis of a protocol to be used in field trials, which comprise Phase 2 of the MCEP. These field trials, to be conducted at four sites around Australia and two overseas, involve evaluations of how Mine Site Operators (MSOs) are addressing corporate governance, health & safety, employee relations, environmental management, and community relations issues. These issues are outlined in the principles and criteria and elaborated in a protocol approved by the MCEP Working Group. The trials provide an opportunity for performance standards and a rating system to be developed and tested. They also allow opportunities for experimenting with various data-gathering techniques. The final phase of the project will address questions of governance and institutional arrangements for a possible certification scheme.

The sixth and final MCEP field trial was the second field trial conducted outside of Australia. One of its primary purposes was to test the applicability of the audit protocol to a mine site outside of the Australian context.

This field trial was undertaken at Anglo American's Mineração Catalão operations in Brazil over the period of the 11<sup>th</sup> to the 15<sup>th</sup> April 2005 inclusive.

Mineração Catalão is a pyrochlore (niobium ore) mine and ferroniobium producer. The mine opened in 1976 and is an open-pit operation with a current annual production of 6,000 tonnes of ferroniobium. It is located in the state of Goiás, in south-east Brazil, approximately 9 km from Ouidor (5,000 inhabitants) and 23 km from Catalão (70,000 inhabitants). The mine employs 262 people, the vast majority of whom reside locally.

The Field Trial Team comprised:

- Cecilia Balby, ERM Brasil (Team Leader and Community Relations);
- Leah Horowitz, WWF-Australia (Project Officer);
- Walter Cerqueira, IUS Natura (Employee Relations);
- Irany Braga, Anglo Gold Ashanti (Environmental Management);
- Paul Henry, Anglo American Base Metals – South Africa, (Corporate Governance);
- Marcelo Galo, contractor with Anglo American Brasil (Occupational Health & Safety); and
- Torsten Halbich, Anglo American Base Metals – South Africa (assistance with Audit Protocol items for all team members).

Data gathering techniques included:

- review of documents provided by the MSO;
- interviews with MSO employees, including managers, supervisors, salaried and wage / union employees from various parts of the operation;
- interviews with external stakeholders.

All interviews were conducted in person. For the Employee Relations section of the audit protocol, 15 employees were interviewed, individually, for approximately 25 minutes each. For the Community Relations section, individual and/or group interviews were held with approximately 20 external parties.

The review was carried out using the latest version of the Audit Protocol approved by the MCEP Working Group.

At the exit meeting, team members provided feedback on Mineração Catalão's performance against the MCEP Audit Protocol, as a service to the MSO staff. This feedback consisted of team members' professional opinions as to Mineração Catalão's achievements and opportunities for improvement, as identified through this trial. This meeting also provided site personnel with the opportunity to provide comments on the field trial process.

## **Process Issues**

### **Recommended changes to the audit protocol**

The Field Trial team members made recommendations as to ways in which the audit protocol should be further revised. These included both specific comments relating to particular questions on the audit protocol as well as general comments. The general comments are summarised below.

#### **Scoring system**

The scoring system used for the field trial at Mineração Catalão included five levels plus "N/A" (see Appendix 1). The team members reported that it was often unclear whether, when the MSO had satisfied all requirements pertaining to a particular element, that element should be assigned a score of 3, 4 or 5. In particular, the team members were unsure as to when a finding should be considered "best practice" for the industry (a score of 5) in the absence of industry-wide data.

Additionally, some team members expressed doubt as to whether, if the MSO had satisfied very nearly all the requirements for a particular element, it should still be given only a score of 2 for that element. In other words, in many cases it would be necessary to have a better understanding of what would constitute an acceptable level of compliance with the criteria set by the MCEP.

Also, some guidelines within the elements were ambiguous. For example, one guideline states that employees should be aware of MSO policies. However, it is unclear whether the finding should be a "yes" or a "no" if employees are aware of the content of the policies (such as how the MSO should treat cases of harassment) without being able to identify the relevant company policy. Such ambiguity might lead to different scores from different auditors.

The team members also noted that sometimes their findings relating to a particular guideline fell between a "yes" and a "no". Some team members would have preferred to give each of these guidelines a score rather than a yes or no answer.

*Process improvement: Provide more guidance for auditors regarding how to assign scores. Clarify ambiguous guidelines, if necessary splitting them into two or more. This would make each guideline more specific and would facilitate the demonstration of conformance or non-conformance with each.*

#### **Redundancy**

The team members found that there was a notable level of redundancy within each audit protocol section. Some information was requested more than once, through separate questions.

*Process improvement: Reduce the redundancy within the audit protocol by ensuring that each piece of evidence is requested only once.*

## **Question sequence**

The team members, as well as some MSO staff, noted that the order of the elements in each section of the audit protocol could be presented in a more logical sequence. Also, they made suggestions regarding the rearrangement of some of the guidelines so that they would be categorized appropriately.

*Process improvement: Rearrange the guidelines and the elements according to the suggestions noted on the auditors' worksheets.*

## **Issues regarding particular audit protocol sections**

### **Corporate Governance**

It was noted that companies with multiple operations might have a very different corporate governance structure from those with just one operation. The Corporate Governance section of the audit protocol will need to be applicable to mine sites run by both types of companies.

During the field trial, it was evident that certain questions in the Corporate Governance section were difficult for the MSO to answer and would have been more appropriately directed to the corporate level. Therefore, the audit protocol will need to differentiate which questions should be asked on site, and which should be asked at the corporate level. It may be worth considering whether the latter questions can feasibly be answered in a five-day site visit and whether they are entirely appropriate for an evaluation of the MSO's performance.

*Process improvement: Clearly differentiate between questions to which MSO staff should have answers and questions that only staff at the corporate level will be able to answer. Consider whether the latter questions are appropriate for a mine site evaluation, whether they can be feasibly asked during a five-day audit, and if so, what the best approach would be for contacting the corporate office.*

### **Community Relations**

Prior to the field trial, the Project Officer sent the Community Relations team member a matrix that had been used at the two previous field trials (see Appendix 2). This matrix presented categories of external stakeholders and asked the MSO staff to fill it in with a representative sample of stakeholders whom the Community Relations team member would then interview.

However, the Community Relations team member suggested that it would be useful to obtain background information on the history of the MSO's relationship with its external stakeholders. First, the MSO could provide its own perspective on this history. Additionally, an open public meeting could reveal other aspects of this relationship history that were important to stakeholders. Both these sources of information would allow the auditor to determine what categories of stakeholders to interview. For instance, if a dispute with the community had occurred, it would be important for the auditor to speak with community members involved in that dispute.

*Process improvement: Prior to the audit, obtain from the MSO background information on the history of their relationship with external stakeholders. At the beginning of the audit week, hold a public meeting to allow all participants to express their views about their relationship with the MSO over time. Use this background information to determine what categories of stakeholders to interview.*

## **Data-gathering issues**

Beyond their comments on the audit protocol itself, team members and MSO staff commented on the process by which the field trial team collected data, and made suggestions as to how this process could be improved.

### **Coverage of different areas**

MSO staff appreciated the fact that the field trial audit covered a large number of different areas, each addressed by a specialist. Having these different areas evaluated simultaneously allowed the MSO staff to compare the different systems that they had in place in order to manage the different areas. This helped them to evaluate their strengths and weaknesses across management systems.

### **Time**

MSO staff appreciated the fact that the field trial audit involved a full evaluation of the site's performance rather than sampling various activities. They found this to be a more thorough approach.

However, the team noted that the time available was inadequate for a complete assessment. They were unable to evaluate each element as rigorously as they felt would have been necessary. They suggested that it might be preferable either to increase the number of person-hours spent on the audit, or to examine a sample of questions more thoroughly.

*Process improvement: Consider either increasing the person hours spent on the audit, or employing a sampling approach.*

### **Coordination of audit protocol sections**

The team members found some redundancy not only within each audit protocol section (as discussed in Section 2.1.2 above) but also between different sections of the audit protocol. At the end of the week, several team members realized that they had each asked similar questions of the same site staff. Examples included questions on land management, the closure plan, and internal and external communication.

The audit protocol could be revised to allow greater coordination among team members. For instance, some elements, such as training, are evaluated in each of the sections. Rather than having each team member ask similar questions of the MSO staff, one of the team could investigate this element for all sections. Coordination would be further facilitated by discussions amongst team members as well as careful preparation and continual monitoring of the audit.

*Process improvement: Consider grouping cross-cutting elements and having one team member investigate each for all sections. Ensure that team members meet regularly to compare notes. Provide the Team Leader with guidelines as to how to prepare for the audit and monitor progress.*

### **Employee interviews**

The interviews with employees at all levels of the MSO, conducted by each team member, were viewed as an unusual and positive feature of the trial audit. MSO staff pointed out that it would be important to use simple, non-technical language, especially when interviewing employees who might have relatively little formal education. Additionally, team members noted that it would be helpful to specify the levels and numbers of employees that the team member responsible for each section should interview.

*Process improvement: Revise the questionnaires used with employees so that they contain simple, non-technical language. Provide guidance to auditors regarding the levels and numbers of employees to interview.*

### **Lead Auditor role**

It was noted that the Lead Auditor should be someone capable of understanding the issues relating to all five sections of the audit protocol. However, it was suggested that the Lead Auditor should not be responsible for one of the more time-consuming sections. The Corporate Governance section would likely be the most appropriate section for the Lead Auditor to cover.

*Process improvement: Assign the Corporate Governance section, rather than any of the more time-consuming sections, to the Lead Auditor. Ensure that the Lead Auditor is capable of understanding each of the five sections of the audit protocol.*

## **Applicability of audit protocol to a non-Australian context**

The field trial at Catalão proceeded much more smoothly than would have been expected, given that it occurred in a very different socio-economic, cultural and ecological context from the previous field trials. Nonetheless, it did serve to highlight some assumptions inherent in the audit protocol while pointing to considerations for future audits that may occur in a range of situations.

### **Legislative context**

The audit protocol contained some inherent assumptions about the legislative context in which an MSO would be operating. For instance, a set of guidelines in the Occupational Health & Safety section pertains to the appropriate ways in which drug use by employees should be addressed. It requires that employees be involved in the design of drug and alcohol tests, that drug test results be checked by independent accredited laboratories, and that disciplinary action be taken in the event of the failure of a confirmed failure of a drug and alcohol test. However, the team member responsible for this section was unable to use these guidelines in his assessment because of the fact that, in Brazil, involuntary drug tests are illegal and no disciplinary action can be taken in response to drug use by employees.

*Process improvement: Auditors will need to have a thorough understanding of the local legislation regarding the area they are assessing. Depending on this legislation, some guidelines may be "N/A".*

### **Language**

This was the first field trial held in a language other than English. Nearly all the team members were native Portuguese speakers. They noted the importance, for auditors, of fluency in the local language. This fluency, as well as thorough familiarity with local social structures and cultural norms and expectations, is particularly important for Community Relations and Employee Relations auditors. However, linguistic competence will also be important for the other auditors on any team of certifiers, allowing them to distinguish subtle nuances of meaning and to overhear other conversations.

*Process improvement: Ensure that all auditors on the team are fluent in the local language and are thoroughly familiar with local social structures and cultural norms and expectations.*

## **Compatibility with other audit processes**

As has been the case at previous field trials, MSO staff noted that many of the questions asked of them during the week were also covered by other audit systems. They advocated the integration of the MCEP with these other audits.

One audit system that was often mentioned in comparison with the MCEP was the ISO schemes. Like what the MCEP is proposing, ISO audits use independent auditors certified by accredited organizations. The MSO was highly familiar with the language and structure of the ISO audits, which they saw as logical and helpful, and staff suggested that the MCEP protocol could be ordered in a similar manner. This would reflect a “systems” approach in which risks are assessed, mitigations proposed, and assurance provided. Areas covered by the MCEP and not by ISO standards could then be added or integrated into this combined audit process. MSO staff were highly in favour of seeing the MCEP used to improve and expand the ISO process rather than becoming an additional initiative that might be viewed as superfluous.

*Process Improvement: Attempt to integrate the MCEP with the ISO processes, possibly creating a new ISO standard or set of standards that would be applicable particularly to mining. Alternatively, restructure the MCEP so that it follows the logic of the ISO standards and then ensure that by being audited through a mine site certification program, an MSO could simultaneously be audited against the relevant ISO standards.*